

Financial Section

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**Washington State Auditor
Brian Sonntag**

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INDEPENDENT AUDITOR'S REPORT

June 28, 2005

The Honorable Mayor and City Council
City of Seattle
Seattle, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the three major enterprise funds; Light, Water, and Drainage and Wastewater, which are discretely reported and also represent 96 percent and 88 percent, respectively, of the assets and revenues of the business-type activities. We also did not audit the financial statements of the Solid Waste fund, which represents 2 percent and 10 percent, respectively, of the assets and revenues of the business-type activities, and 3 percent and 14 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. We also did not audit the Seattle City Employees' Retirement System, which statements represent 65 percent and 29 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Light, Water, Solid Waste, and Drainage and Wastewater funds, and the Seattle City Employees' Retirement System, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of City of Seattle, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



As described in Note 1, during the year ended December 31, 2004, the City has implemented Governmental Accounting Standards Board Statement 39, Determining Whether Certain Organizations Are Component Units.

The management's discussion and analysis on pages 31 through 49, budgetary comparison information on pages 146 through 147 and pension trust fund information on pages 148 through 150 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 153 through 230 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information have been subjected to auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR